

EXECUTIVE SUMMARY

Revenues

The Fiscal Year 2007 operating budget will be supported primarily by \$18.975 billion in revenue from projected tax collections. While moderate growth in tax collections is anticipated, the following pages illustrate that such growth will almost entirely be consumed by keeping pace with inflationary pressures on operational spending for publicly funded programs and services. In fact, the committee recommends in this document the utilization of \$275 million in reserve funds in order to achieve a statutorily balanced budget that largely maintains spending on existing programs, while also proposing targeted initiatives intended to increase efficiencies in program and service delivery. The table below illustrates the amount of tax revenue projected to be available for Fiscal Year 2007.

	FY06 Projected	FY07 Consensus Revenue	Variance	% Change
Total Tax Estimate	18,158	18,975	817	4.5%
Dedicated Tax Revenue*	2,475	2,642	167	6.7%
Tax Revenue Available for Budget	15,683	16,333	650	4.1%

In addition to tax revenue and the use of reserve funds, nearly \$8 billion in revenue from fees, federal reimbursements and operating transfers is projected to be available to support the levels of spending recommended within this document. The principles of stability, predictability and sustainability best serve all those who deliver, receive or otherwise participate in the outcomes of these annual recommendations. The spending put forth in this budget meets or achieves the goal of maintaining the delicate balance between preservation of critical programs and services, while securing the underpinnings of the Commonwealth's budget in order to stabilize the position of publicly funded services throughout the inevitable transitions associated with the cyclical nature of our economy.

Local Aid

The committee takes a very significant step in Fiscal Year 2007 to provide additional resources to our municipal partners. Just as we once asked them to bear a reasonable share of the necessary spending reductions when state revenues declined precipitously, we now intend to provide our cities and towns with reasonable increases in available funds as state revenues slowly begin to gain strength. However, because local revenues continue to show far more stability than sluggish state tax returns, we are not able to simply restore every aid account to pre-recession levels. Indeed, we remain reluctant to focus current or future increases on arbitrary historical spending targets rather than through rational and equitable distributions. Thus, we have fully lifted the so-called Lottery cap and, using the long-standing Lottery formula, will distribute the full amount of estimated available Lottery proceeds to cities and towns for the provision of vitally important police, fire and education services. The committee also makes a significant increase in payments in lieu of taxes, using a formula rationally related to the amount and value of land owned by the Commonwealth in each community – but we decline to increase additional assistance, the formula having been obsolete for well over a decade, until further thought can be given to whether there is any more equitable way of providing additional resources through this mechanism.

In Chapter 70, the committee takes small steps to improve the formula's fairness while deferring action on larger reform to the Education Committee, which has spent much of the past year soliciting testimony on the next stages of education reform. We believe firmly that the foundation budget is the heart of the Chapter 70 formula, and its adequacy must be the central, not the secondary, focus of continued discussions and debate about Chapter 70 revisions. An adequate foundation budget is the central means by which we achieve our constitutional mandate to cherish the interests of every child. While we are sympathetic to the re-categorization of foundation categories proposed in House Two, we do not believe these changes should be adopted in isolation without giving full consideration to the many other constructive proposals put forth regarding adequacy in recent months. Further, we believe the negotiation of a timely budget precludes us from attempting to make complicated decisions about the foundation budget in this document, rather than through a separate Education Committee bill. Pending such a further bill, the committee gives aid sufficient to keep every district at the current foundation level of spending, and to hold every district harmless to Fiscal Year 2006 aid levels. We do, however, make one small but significant change by adopting the constructive proposal made in House Two relative to local contribution. First, we believe this proposal will, over five years, restore considerable equity to the calculation of local contribution and thus, to the provision of Chapter 70 aid, by using income as well as property wealth as part of the calculation, and moving over time towards an aid floor of 15% of the foundation budget for all districts. Second, we are aware that this proposal was first put forward almost a year ago by the Department of Education, has been thoroughly reviewed by stakeholders, and is widely seen as an improvement over current calculations. Finally, we recognize that as much as local officials look forward to final state aid numbers, it is even more vitally important for their planning to get some clarity and direction about the amounts they will be required to raise and appropriate locally. We hope that, by accepting the new local contribution calculation, and updating it only for new and more accurate statistics, local officials will at least be better able to start determining how much of their local revenue base must be set aside for schools and how much will remain available for general government purposes.

- Provided an additional \$158M in Local Aid distribution;
- Provided an increase of \$91.4M in Chapter 70 school aid to meet our constitutional obligations to guarantee that every school district remains at foundation, to make sure that no operating district receives less than it received in Fiscal Year 2006, and to begin restoring equity to the calculation of required local contributions and thus, restore equity to the aid calculation;
- Level funded Additional Assistance;
- Increased PILOT payments to \$20M to help meet our obligation to those municipalities in which valuable tracts of land have been taken off the local tax assessments for environmental protection or to host state facilities.

Education

This committee remains devoted to the goal of providing every child in the Commonwealth with the opportunity to grow and learn to their highest potential. We continue to recognize, however, that unrestricted aid will not by itself allow us to achieve this standard of high quality universal education. It also takes careful thought and strategic planning to best utilize all available resources and to target limited state funds to the most effective and data driven interventions so as to obtain the best possible results. Our unrelenting focus in the coming years must be on turning around low performance and replicating successful turnaround strategies throughout the Commonwealth. We know what the challenges are: a stubborn achievement gap, especially in the vitally important subjects of math and science, a desperate need for additional focus on educator quality and the educator pipeline, and a lack of certainty about successful turnaround strategies. The difficult truth is that no one has found a single scientifically proven method for turning districts and schools around, but we know that the outlines of a successful strategy exist. The basic components of a successful school are not hard to determine: skilled and determined district and school leadership; high educator quality, including mastery of subject matter content; appropriate support from the Department of Education with a capacity sufficient to meet the need; additional time in both the school day and year for those entering school with the most serious gaps in achievement and knowledge; and where the monopoly provision of education has clearly failed, continued support for meaningful educational options for parents, funded in a manner that is fair and equitable. Finally, we know that the Education Committee has completed in the past year a listening tour unprecedented in its scope and breadth, and has compiled thousands of pages of testimony, which they continue to review in order to develop a statutory basis for the next phase of education reform. Because we do not wish to pre-judge that effort, and because our capacity for expansion spending continues to be sharply restrained, we limit ourselves in this budget to a few modest, but potentially powerful intervention initiatives to provide focused and intense assistance to underperforming schools. Our focus is on acting in a timely fashion using scientifically valid, research-based and replicable strategies for student success. We hope these narrowly tailored efforts will complement the Education Committee's work, and allow us to monitor the success of alternative strategies for school turnaround before committing significant resources to any particular reform. The committee believes that its support of professional development for our school leadership and teachers will provide them the necessary skills to guide our students through the exciting world of education, that extended learning time will allow more students to learn to the new standards and pass the MCAS, that the early stages of education are an essential element of ensuring the future success of our education system, and that increased funding for new full day kindergarten classes will enable schools to provide children with a full day of educational and developmental growth opportunities. This committee is aware that although we are making strides towards a goal of quality education for all residents of Massachusetts, there is still a great deal of progress to be made. We have heard the challenges of those educators who ask that the next phase of reform be done with them, not to them, and we reaffirm through this budget our willingness to work collaboratively on the next steps of education reform with parties who come to the table putting the needs of children first. We will continue to work diligently to make improvements to our current system.

- Transferred an additional \$83.8M to the new School Building Authority to complete the process of clearing the wait list of school projects;
- Fully funded the Commonwealth's statutory commitment to the special education circuit breaker;

- Fully funded the Commonwealth's statutory commitment to charter school tuition reimbursement, including the full reimbursement of the per pupil capital needs component of charter tuition;
- Increased regional school transportation reimbursement by \$5M;
- Established a new \$5M line item for extended learning time grants to allow students in underperforming schools additional time on task to meet the rigorous demands of the state curriculum guidelines;
- Increased kindergarten expansion grants by \$2M to increase the number of full day kindergarten opportunities throughout the Commonwealth;
- Established a new \$2M appropriation for teacher content training in math and science, to begin the challenging task of moving every student to math and science proficiency consistent with the goals of Massachusetts education reform and NCLB;
- Established a new \$1M appropriation for principal and superintendent training to improve educational leadership in our struggling and underperforming schools;
- Restored a \$1M line item for after-school initiatives in districts where the extension of time for the entire school is unnecessary, but where significant numbers of children would benefit from such opportunities;
- Increased the METCO appropriation by \$830K to recognize the extraordinary work done by this organization, both in increasing student achievement and in advancing the cause of racial understanding and justice;
- Established a new \$500K line item for English language acquisition, which will support the professional development of teachers working with English language learners;
- Increased reimbursement of non-resident regional vocational transportation by \$400K to fully fund this obligation;
- Increased the appropriation for YouthBuild by \$400K to allow expanded opportunities to children who participate in this highly successful program;
- Added \$200K to continue the important work of developing certificates of occupational proficiency to allow students at vocational schools the opportunity to demonstrate their mastery in their field, as well as earning a competency determination through MCAS.

Higher Education

The Commonwealth of Massachusetts has always been at the forefront of the field of higher education. This committee strongly believes that our system of higher education not only provides important opportunities for personal growth and economic advancement for the students of these institutions, but enhances the strength and viability of the Commonwealth's economy. We recognize that we will never create a world class system of lifelong learning by ignoring the needs of public and private higher education. Although still struggling with financial constraints, we continue to take important measures to improve both the affordability and quality of our public higher education institutions. For the second consecutive year, we attempt to introduce greater stability into the financing of public higher education by using the BHE and UMass formulas to distribute additional aid, with one slight variation. We continue to accept the formula's definition of the total campus requirement as an appropriate overall funding goal. However, because the recent versions of the formula define the funding gap as the difference between the amount of tuition and fees each campus currently collects and the total requirement, and because every campus' total tuition and fee collection is dramatically different, full funding of the "gap" would yield state subsidies with an equally dramatic variation. Community colleges would receive between 60% and 77% of

their total formula derived requirement from the state, while state colleges would receive between 54% and 71% of their requirement. While the parity component of the current formula attempts to address this issue, this committee is unconvinced that it does so in the most straightforward or effective manner. Because recent versions of the formula would, on average, provide 70% of total requirement for community colleges, and 64% for state colleges, we commit ourselves to those funding levels for each campus within each segment, and define the gap as the difference between the amount of state support we currently provide, and either 70% of total need for each community college campus or 64% of total need for each state college campus. We regret that continued slow revenue growth and high fixed costs limit us to funding 7% of the gap for each institution, but we hope this increase will indicate our commitment to make modest yet unflinching strides towards closing the funding gap at the various campuses across the state. In addition to providing partial funding for the gap, this budget increases affordability by providing additional funds to various scholarship programs to encourage individuals of all financial backgrounds to continue their education beyond secondary school. This budget continues, therefore, in modest but tangible ways, to reinvest in our higher education system and rationalize the funding of each campus.

- Provided \$15.4M to fund collectively bargained salary increases at UMass, and a further \$12.4M to close 7% of the identified funding gap at the University;
- Provided \$16.7M to fund collectively bargained salary increases at state and community colleges, and \$15M to fund 7% of the identified gap at each campus;
- Increased the Mass Grant scholarship program by \$2M;
- Increased the Gilbert Grant scholarship program by \$1.1M;
- Maintained the \$500K earmark for the Massachusetts Nursing and Allied Health Workforce Development Initiative at BHE;
- Increased Foster Care Financial Aid by \$100K;
- Provided \$75K for a graduation task force, which will attempt to increase the graduation rate at state and community colleges.

Early Education and Care

With its vote last month in unanimous support of a bill to complete the creation of the governance structure and statutory authority of the new Department of Early Education and Care (DEEC), the House continues to be the leader in bringing this important and transformative reform to the Bay State. The committee is proud to continue its support for this new and innovative agency, which was created to meet the needs of children from birth through entrance to kindergarten, including school age child care. As the department's mission and structure continues to develop and evolve, this committee recognizes that Fiscal Year 2007 will be another important year of growth and transition, building on the highly successful first year of the agency and using the impressive data currently being compiled by DEEC to spend scarce resources most effectively. The committee continues to acknowledge the crucial role of early education and care in ensuring the well being of the Commonwealth's youngest citizens and in allowing every child to enter kindergarten ready to learn. Through this budget, the committee hopes to balance the goals of access, affordability, and quality, through investment in well-established parental programs, increasing the availability of affordable high quality early education and care, continued steady progress towards achieving universal pre-kindergarten, and focused, data driven efforts to increase the quality of care across all ages and program types.

- Increased the appropriation for child care vouchers and contracts by \$16.7M to annualize last year's rate increase, and annualize funding provided by the welfare reform reserve of Fiscal Year 2006, to ensure adequate slots are provided for welfare recipients potentially required to work by new federal laws, and state welfare reform efforts;
- Created a new \$10M line item for pilot projects as part of the new Universal Pre-Kindergarten program, by which we intend to provide universal access to pre-kindergarten education and related services for every three and four year old child in the Commonwealth;
- Provided \$5M for a child care provider salary rate reserve;
- Created a new \$3M professional development line item to ensure high quality care for the children of Massachusetts;
- Provided an additional \$2M for the highly successful scholarship program created by this committee in Fiscal Year 2006 and run by the board of higher education for early educators and providers who are committed to work in early education and care programs;
- Earmarked \$1.7M for grants to help providers achieve accreditation by nationally recognized accreditation agencies;
- Created a new \$1.4M line item for the provision of mental health consultation services designed to limit unnecessary suspension and expulsion of pre-school aged children;
- Increased funding for Head Start by \$1M;
- Increased funding for the Parent-Child Home Program by \$1M to allow the continuation and expansion of this data rich and scientifically proven parental education program;
- Earmarked \$250K for the development of a quality rating system designed to provide parents and consumers better access to data about the quality of their early education and care providers;
- Earmarked \$100K for core competencies to guide the new workforce development plan created by the department.

Health and Human Services

With a budget of over \$11.9 billion and seventeen agencies under its guise, the Executive Office of Health and Human Services (EHS) is the largest secretariat in the Commonwealth, providing services to more than 1 in 6 Massachusetts residents. Agencies within EHS work to protect children; provide healthcare benefits to low-income families; provide support services for elders and people with disabilities and mental illnesses; and provide economic and social supports for the highest need clients. The committee continues its support of preventive and treatment services, but also recognizes the need to attempt to close known gaps in services. Thus, the committee embarks on several new initiatives, such as including an additional \$5 million for a substance abuse step down services pilot program within the Department of Public Health; providing \$3 million to supplement the implementation of the Family Networks System within the Department of Social Services, which will enable the department to hire additional social workers and other personnel to ensure that allegations of child abuse and neglect are assessed in an expedited manner; and providing additional funds at the Department of Youth Services for vocational training in order to reduce recidivism rates.

- Provided \$20M at EHS for a salary increase to over 30,000 contracted direct care workers to address quality care and retention among human service providers.

Office of Medicaid

The Office of Medicaid administers the MassHealth program, which provides health care for approximately 1 million eligible low and medium-income people living in Massachusetts. The committee, in funding an increase of more than \$400 million over projected Fiscal Year 2006 spending, demonstrates its commitment to helping the neediest citizens in the Commonwealth obtain quality health care. Overall, the committee proposes a total of nearly \$7.3 billion for MassHealth programs to fund a projected 2.6% increase in caseload, which fully funds health care benefits.

- Provided an additional \$400M for a projected 2.6% increase in the MassHealth caseload to support approximately 1 million members;
- Provided \$63M for CommonHealth, which will help disabled adults and children receive necessary services;
- Provided \$4M for the MassHealth Breast and Cervical Cancer program, which will serve 445 MassHealth clients needing breast and cervical cancer treatment;
- Provided \$42M for the Insurance Partnership program, which will assist 13,000 small business employees and employers maintain health insurance;
- Included funding of \$16M for 5,000 women and infants in the Healthy Start program;
- Rejected \$3M in proposed savings from sponsor income-deeming for elderly and disabled aliens with special status.

Elder Affairs

The committee maintains its commitment to meeting the needs of the Commonwealth's elders by supporting many valuable programs run by the Executive Office of Elder Affairs. As part of the effort to keep seniors in their community, the committee fully funds twenty-two supportive housing sites ensuring that 3,000 low-income or disabled citizens continue to receive "assisted living" services in a familiar community setting. The committee also recognizes the important role local councils on aging play in informing seniors about the resources available statewide or in their local community.

- Included increased funding of \$3M to fully fund 22 supportive housing units for 3,000 low-income or disabled citizens to continue receiving assisted living services;
- Provided \$102M for the home care program to allow seniors to receive supportive services for daily living so they can remain in the community;
- Provided \$13M to investigate alleged elder abuse cases;
- Provided \$57M for the Prescription Advantage program to provide financial assistance for premiums, co-pays, and gaps in coverage in Medicare Part D;
- Included increased funding of \$500K for councils of aging grants.

Department of Transitional Assistance (DTA)

- Provided an increase of \$5M for the employment services program;
- Provided \$1M for the Homeless Management Information System, which will track utilization of individual homeless shelters.

Department of Mental Retardation (DMR)

- Provided \$2M for a residential rate initiative, which will help establish a set rate for consumers residing in vendor-operated residential settings;
- Provided an additional \$1M for the autism division that was established in Fiscal Year 2006 to increase services to autistic individuals and their families.

Department of Mental Health (DMH)

- Provided an additional \$8.9M to continue the provision of community services to adult clients, which includes \$1.9M for mental health research and \$2.5M for additional placements for clients determined by the department to be chronically homeless;
- Provided an additional \$4M for state psychiatric hospitals and community mental health centers to maintain services to clients of the department.

Department of Public Health (DPH)

- Created a \$5M step down recovery pilot program to address service gaps and help individuals in substance abuse treatment follow a more complete path to recovery;
- Provided an additional \$830K for the Sexual Assault Nurse Examiner program;
- Provided an additional \$1M for school health services;
- Provided an additional \$2M for the State Laboratory Institute.

Department of Social Services (DSS)

- Provided an additional \$3M to support the implementation of the Family Networks System and to allow the department to hire additional social workers and other personnel to ensure allegations of child abuse and neglect are addressed in a timely and appropriate manner.

Department of Youth Services (DYS)

- Provided \$600K for vocational training for committed youths to develop job skills in order to promote positive change in their lives upon return to their communities;
- Provided over \$500K for the restoration of the northeast region office to improve services to youths and their families who live in this region.

Judiciary

The committee recommends that \$734M be appropriated for the supreme judicial court, trial court department, committee for public counsel services and other smaller judicial agencies. The appropriation represents nearly \$89M, or 13.8% in additional funding from FY2006. The committee maintains its leading role in CPCS reform by fully funding the implementation of chapter 54 of the acts of 2005, which allows CPCS to be less reliant on private bar advocates and to generate savings for the Commonwealth.

- Provided an additional \$956K, or 10.3% increase, for civil legal services;
- Recommended \$546.5M, an additional \$52M over Fiscal Year 2006, for the trial court department to fund collective bargaining costs and anticipated judicial pay raises;
- Provided additional funding to enhance the salaries of public defenders;
- Full funding for Alternative and Permanency Mediation Services, which helps alleviate case backlogs in our busy courts and provides citizens with the opportunity to avoid time intensive and costly trials in favor of specialized mediation;
- Funded CPCS at \$154.2M, which supports all anticipated costs associated with the commonwealth's public counsel system.

Economic Development

The committee has continued to recognize the important role of economic development agencies in the growth and prosperity of the Commonwealth. Due to low staff levels, the committee has recommended increased funding for the office of business development and the small business development centers, ensuring that the commonwealth's businesses have access to the counseling services needed to develop and expand. Moreover, the committee has recommended \$500K for the *Business to Business* initiative, which will assist both in-state and out-of-state companies in networking with Massachusetts-based businesses to take advantage of the Commonwealth's skilled workforce and prestigious universities. The committee believes the recommended appropriations will bolster the Commonwealth's economy by retaining and developing our companies, attracting new businesses, and creating jobs.

- Provided an additional \$1M to the office of travel and tourism to promote the Commonwealth as a tourist destination in key markets;
- Recommended increased funding for MA Office of Business Development to increase staffing with the goal of conducting more outreach to MA companies;
- Increased funding to Small Business Development Centers, allowing them to maximize federal matching grants.

Public Safety

The committee's recommendation in the area of public safety reaffirms its commitment to ensuring the safety of the citizens of the Commonwealth. The committee has taken a comprehensive approach to public safety by fully funding agencies responsible for crime prevention, investigation, enforcement and prosecution, as well as agencies involved in the eventual rehabilitation of those who commit crimes. The committee's recommendation maintains adequate funding of all public safety agencies while strategically investing in areas needing improvement. The committee recommends additional staff to address critical shortages at the Chief Medical Examiner's office and the State Police Crime Lab. Additionally, new resources have been provided to the Department of Youth Services and the Department of Corrections for programs to decrease recidivism rates. Lastly, the committee has equipped the state's law enforcement and public safety agencies with the modern technology necessary to maximize the security of the citizens of the Commonwealth.

- Provided an additional \$1.1M for increased staffing for the Office of the Chief Medical Examiner and \$16.2M to enhance services at the State Police Crime Lab;
- Created a new \$1M line item for an inmate re-entry initiative intended to reduce recidivism rates at the Department of Corrections;
- Provided nearly \$1.4M for assistant district attorney salary increases;
- Provided over \$12.85M in funding for the opening and operation of new correctional facilities in Middlesex, Franklin and Hampden counties;
- Provided \$600K for vocational training for the committed population at DYS to develop job skills in order to promote positive change in their lives upon return to their communities.

